PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Phone: (306) 787-6398
Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet E-mail: info@auditor.sk.ca

SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Pastures Revolving Fund as at March 31, 2010 and the statements of operations and accumulated operating surplus and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 15, 2010

Brian Atkinson, FCA
Acting Provincial Auditor

PASTURES REVOLVING FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2010	2009
Financial Assets		
Accounts receivable	$ 273,668	$ 313,380
Liabilities		
Accounts payable	394,845	593,442
Unearned revenue	810,530	746,633
Accumulated net expenditure (Statement 3)	2,920,271	2,408,138
	4,125,646	3,748,213
Net Debt	(3,851,978)	(3,434,833)
Non-Financial Assets		
Inventory	163,734	203,929
Tangible capital assets (Note 5)	4,098,545	3,827,606
	4,262,279	4,031,535
Accumulated Operating Surplus (Statement 2)	$ 410,301	$ 596,702

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	Budget 2010 (Note 6)	Actual 2010	Actual 2009
REVENUES			
Grazing	$ 5,598,399	$ 5,443,715	$ 5,577,807
Petroleum and gas leases	1,765,000	1,830,499	1,713,562
Bull wintering	225,300	220,670	216,508
Timber sales	-	2,259	56,486
House rent	30,560	35,902	33,947
Seismic and easement	83,646	55,066	139,943
Hay	-	5,791	9,950
Gain on disposal of tangible capital assets	-	13,908	223,746
Other	88,391	23,748	72,666
	7,791,296	7,631,558	8,044,615
EXPENSES			
Salaries	3,843,845	3,585,893	3,840,942
Repairs and improvements	823,724	1,206,371	610,515
Taxes	953,550	908,673	932,933
Seed and forage	252,730	227,447	352,525
Rent of equipment, horses and other	278,150	286,888	288,276
Amortization	437,586	427,952	411,112
Travel	389,547	357,263	362,490
Small tools, equipment and supplies	444,900	295,946	324,335
Computer services	-	158,612	154,132
Utilities	116,300	129,662	116,628
Veterinary fees and supplies	60,641	52,072	54,015
Telephone and communications	86,843	75,684	236,179
Bad debt expense	-	7,256	28,657
Freight and postage	15,300	30,542	23,113
Advertising and printing	5,035	7,134	3,789
Other	83,145	60,564	100,420
	7,791,296	7,817,959	7,840,061
Net (loss) income	$ -	(186,401)	204,554
Accumulated operating surplus, beginning of year		596,702	392,148
Accumulated operating surplus, end of year - to Statement 1		$ 410,301	$ 596,702

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2010	2009
Financing required for (provided by) operating activities:		
Net loss (income)	$ 186,401	$ (204,554)
Items not affecting cash:		
Amortization	(427,952)	(411,112)
Bad debt expense	(7,256)	(28,657)
Gain on disposal of tangible capital assets	13,908	223,746
Net decrease (increase) in working capital items related to operations (Note 11)	62,049	(245,966)
	(172,850)	(666,543)
Financing required for (provided by) investing activities:		
Purchase of tangible capital assets	705,275	684,884
Proceeds from sale of tangible capital assets	(20,292)	(248,472)
	684,983	436,412
Net increase (decrease) in financing requirements	512,133	(230,131)
Accumulated net expenditure, beginning of year	2,408,138	2,638,269
Accumulated net expenditure, end of year – to Statement 1	$2,920,271	$2,408,138

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2010

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act*. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable for the public sector. These financial statements do not present a Statement of Change in Net Debt or a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 11.

The following policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Inventories Held for Consumption

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated operating surplus. Amortization of all tangible capital assets is charged to operations using the straight-line method at the following rates:

Land Improvements (fencing, water sites, corrals, etc.)	5%
Buildings	5%
Equipment and Vehicles	10%
Office equipment	10%

Tangible capital assets that are acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

e) Revenue Recognition

Grazing revenue is recognized daily and billed at the end of the season when the animals are removed from the pasture.

Surface lease revenue is recognized on a month start basis and billed in advance for the year.

Timber revenue is recognized when the timber is harvested and its value is determined.

f) Unearned Revenue

Unearned revenue consists of petroleum and gas lease revenue and grazing revenue that will be earned in future periods. These amounts are included in income when the revenue is earned.

g) Use of Estimates

These statements are prepared in conformity with Canadian generally accepted accounting principles for the public sector. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

h) Tangible Capital Asset Thresholds

The threshold limits for capitalizing tangible capital assets are as follows:

Buildings	$ 5,000
Vehicles	5,000
Equipment	1,000
Office equipment	1,000
Land improvements	5,000

3. Authorized Financing

Subsection 16 (11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

4. Accumulated Operating Surplus

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Pastures Revolving Fund is $700,000.

5. Tangible Capital Assets (TCA)

	March 31, 2010						March 31, 2009
	Buildings	Land	Land Improvements	Office Equipment	Equipment & Vehicles	Total	Total
Opening Net Book Value of TCA	$421,972	$19,000	$2,143,907	$ -	$1,242,727	$3,827,606	$3,578,560
Opening Cost	$619,499	$19,000	$3,521,746	$47,912	$2,770,835	$6,978,992	$6,294,108
Additions During the Year	5,699	-	326,057	-	373,519	705,275	684,884
Disposals	-	-	-	-	(7,980)	(7,980)	-
Closing Cost	$625,198	$19,000	$3,847,803	$47,912	$3,136,374	$7,676,287	$6,978,992
Opening Accumulated Amortization	$197,526	$ -	$1,377,840	$47,912	$1,528,108	$3,151,386	$2,740,274
Annual Amortization	30,542	-	189,290	-	208,120	427,952	411,112
Disposals	-	-	-	-	(1,596)	(1,596)	$ -
Closing Accumulated Amortization	$228,068	$ -	$1,567,130	$47,912	$1,734,632	$3,577,742	$3,151,386
Ending Net Book Value of TCA	$397,130	$19,000	$2,280,673	$ -	$1,401,742	$4,098,545	$3,827,606

6. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.

7. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2010	2009
Financial statement category:		
Expenses	$ 416,468	$ 428,737
Purchase of tangible capital assets	259,004	58,283
Accounts payable	50,011	180,167
Accounts receivable	1,637	1,198

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Ministry of Agriculture without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Amount Reported in Public Accounts

The net recovery (expenditure) of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences between the Revolving Fund and the General Revenue Fund:

	2010	2009
Net (loss) income	$ (186,401)	$ 204,554
Decrease in inventory balance recorded by the Revolving Fund	40,195	13,464
Increase in tangible capital assets recorded by the Revolving Fund	(270,939)	(249,046)
Timing differences in recording revenues/expenses	(205,449)	315,291
Net (expenditure) recovery reported in the Public Accounts	$ (622,594)	$ 284,263

9. Credit Risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $369,572 at March 31, 2010 with an allowance for doubtful accounts of $95,904. Some of the receivables were received shortly after year end reducing the credit risk.

10. Reclassification

Certain 2009 comparative figures have been reclassified to conform with the current year's presentation.

11. Net Change in Working Capital Items Related to Operations

	2010	2009
Working capital changes:		
(Decrease) increase in accounts receivable	$ (32,456)	$ 2,521
Decrease in inventories held for consumption	(40,195)	(13,464)
Decrease (increase) in accounts payable	198,597	(229,481)
Increase in unearned revenue	(63,897)	(5,542)
Total	$ 62,049	$ (245,966)